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AUDIT RESOLUTION STATUS - INTERNAL AUDITS
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Audit Activity (Report Issue Date)	Responsibility	Description of Risk / Finding	Status/Comments
Follow up Review of Information Security Corrective Actions (05/03/00)	Information Security Office	10. A review of the COMET environment found a number of production files that could not be identified as to source or purpose.	IN PROGRESS. Information Security Office is in the process of developing and implementing appropriate processes and procedures to ensure all world-writeable files have an assigned owner and have all appropriate controls in place. Target completion date is July 1, 2008.
Review of Information Security (8/19/02)	Information Security Office	4.6 Hiring procedures do not require background checks for information security staff and other sensitive positions.	IN PROGRESS. Information Security Office is investigating the ability to conduct background checks for information security staff and other sensitive positions. Target completion date is July 1, 2008.
AB 592 Review (6/30/03)	Employer and Member Health Services	1.1 The AB 592 training manual is outdated, and updates and changes to policies and procedures are not in writing. Health Benefit Services should update the manual to reflect changes.	COMPLETE. The Complementary Annuitant Premium Program, formerly AB592 reference manual, is comprehensive and current.
Review of Configuration Management (8/28/03)	Innovation Services	1.1 Information Technology Services should institute a quality review process to ensure divisions' Configuration Management plans meet Information Technology Services' requirements for such plans, and monitor projects for compliance.	IN PROGRESS. Information Technology Services Branch (ITSB) is working on implementing the configuration management plan review process. Target implementation date is October 2008.
Review of Internal Controls SAM 20060 (Financial Integrity and State Managers' Accountability) (12/22/03)	Information Security Office	1.1 Information Security Office should ensure that an information technology risk analysis is performed at least once every two years, and adjust the risk management practices based on the results of this analysis.	IN PROGRESS. Information Security Office is creating a methodology for the information systems risk assessment/analysis program. Target completion date is December 31, 2009.

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Review of Health Care Fund Cash Flow (5/7/04)	Employer and Member Health Services	1.2 Employer and Member Health Services should work with Information Technology Services to enhance built-in system controls that ensure all employer accounts are updated and billed properly and completely.	IN PROGRESS. The Office of Employer and Member Health Services is working with the Enterprise Management of Billing, Accounts Receivable Collections (EMBARC) project to enhance built-in system controls that ensure all employer accounts are updated and billed properly and completely. EMBARC is scheduled to deploy in February 2008.
		1.4 Employer and Member Health Services should reconcile the billed amounts with the due amounts to ensure that it bills completely to collect all premiums due to health carriers.	IN PROGRESS. This functionality is part of the EMBARC scope. Member and employer payments will be reconciled with health premiums. This will take place post EMBARC implementation, February 2008.
		2.1 Employer and Member Health Services should fully implement its delinquency policy and procedures as soon as possible and work with Information Technology Services to establish system functionality allowing assessment of penalties.	IN PROGRESS. There is a separate change control within the EMBARC design to establish this new system functionality. This function to be built post-EMBARC implementation and should be effective approximately February 2009.
		2.2 Employer and Member Health Services should ensure that detailed written procedures are developed for monitoring outstanding receivables and collection.	IN PROGRESS. As part of EMBARC, management and collection of outstanding receivables will transition to Fiscal Services. Post February 2008, Fiscal established a collections unit to perform this function. Employer and Member Health Services will make initial billing/resolution contact with the entity, and follow up of receivables will be performed by Fiscal under EMBARC.

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Review of Self-Funded Health Plan Administration (5/26/04)	Health Plan Administration	2.5 Health Plan Administration should request Employer and Member Health Services provide more information on the appeals log that can be used to formally analyze the data for trends and timeliness.	IN PROGRESS. Health Plan Administration is currently working with Employer and Member Health Services to establish a system to process appeals. The process includes merging two existing databases. In the meantime, both sets of data are being reviewing until the new system is implemented. Target completion date has been extended to March 31, 2008.
		3.2 Health Plan Administration should ensure that staff performs independent analyses of administrative billings and their supporting documentation. Staff should perform any follow-up work necessary to resolve questionable amounts.	COMPLETE. The Self-funded staff have developed comprehensive procedures to adequately analyze administrative billings and any necessary subsequent follow-up for discrepancies.
Software Management Review (8/12/04)	Technology Services and Support	1.1 Information Technology Services should ensure that staff complies with CalPERS' Information Security Practices by maintaining adequate documentation for software installed by CalPERS.	IN PROGRESS. Technology Services and Support plans no further action, pending completion of the Enterprise Asset Management project. The target completion date for the project is June 30, 2008.
		1.2 Information Technology Services should ensure that the software inventory list is complete and current, based on its annual comprehensive inventory of all software installed on computer systems.	IN PROGRESS. Technology Services and Support has reviewed the Software Management Plan but it will not be revised at this time due to the Enterprise Asset Management project, due to complete 6/30/08. Once the Enterprise Asset Management project has been completed, the Software Management Plan will be updated reflecting the new solution within one calendar quarter.

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Software Management Review (8/12/04) *(continued)*	Technology Services and Support	4.2 Information Technology Services should periodically compare software installed on CalPERS computer systems to software approved by the Information Systems Architecture Committee.	IN PROGRESS. Policy and process will be defined and added to the Information Technology Services Branch Policies and Procedures. This policy will be implemented upon Technology Services and Support Division Management approval. Target completion date is June 1, 2008.
Data Ownership (12/21/04)	Information Security Office	1.2 Information Security Office should work with Information Technology Services to develop a complete listing of all CalPERS' data assets and follow up with business management to have ownership assigned for all data assets.	IN PROGRESS. Information Security Office will make a comparison between assets listed with the list provided by Information Technology Services. Data assets not claimed by a data owner will be reviewed for assignment of data ownership and classification. No updated target completion date was provided.
Self Funded Health Plans Cash Flow (1/11/05)	Health Plan Administration / Fiscal Services	6.1 Health Plan Administration should work with Fiscal Services to have each self funded health program product separately identified and accounted for within the Health Care Fund, so they can conduct effective cash flow planning, management, monitoring and control.	IN PROGRESS. Self Funded staff are in the process of preparing a cost analysis for management review. A target completion date of June 2008 is indicated.
Reconciliation of Investment Accounts (3/29/05)	Fiscal Services	1.1 Investment Accounting Unit should continue to develop a standard, repeatable methodology for efficiently transferring accounting data and validating all investment activity received from State Street. 4.1 We recommend that Fiscal Services proceed expeditiously towards including all internally and externally managed fixed income and equity portfolios in the Investment Accounting System.	COMPLETE. State Street completed the necessary changes and sent the electronic transmission of the amortization activity for July 2007. Staff were able to verify the amortizations in the transmission matched the Multi-Currency Horizon hard copy report. IN PROGRESS. Management states that Investment Accounting has hired an Associate Accounting Analyst to assist with the processing of fixed income and equity portfolios. In reference to the external managers, they will update the plan to ensure that all managers will be maintained on the system by June 2008.

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System Backup and Archival Process Review (5/23/05)	Technology Services and Support	2.2 Data Center should require staff to perform periodic inventories of media against the inventory lists and investigate the discrepancies. Missing media contents should be identified and reported to the Information Security Office when involving confidential information.	IN PROGRESS. Technology Services and Support Division will update the Information Technology Services Branch Policies and Procedures Manual to include periodic inventories of storage media and the process to mitigate discrepancies in the inventory. The updated policies and processes will be implemented upon Technology Services and Support Division Management approval. The division has submitted a corrective action plan with a target completion of June 30, 2008.
		4.1 Data Center should review the results of the restoration test performed on archived media annually to ensure that the integrity and availability of backup data are maintained.	IN PROGRESS. Technology Services and Support Division will update the Information Technology Services Branch Policies and Procedures Manual to include periodic reviews of storage media test results. The updated policies and processes will be implemented upon Technology Services and Support Division Management approval. The division has submitted a corrective action plan with a target completion of June 30, 2008.
Enterprise-Wide User Access Control (08/05/05)	Innovation Services / Information Security Office	2. Security Administration Services should work with Information Security Office to determine the appropriate data owner for approval of access requests to system and information assets, and modify current user access request processes to ensure that owners of systems and information assets are provided opportunities to authorize access requests.	IN PROGRESS. Security Administration Services (SAS) acknowledges that data owner approval should be obtained prior to granting system access. The Enterprise Identity and Access Management project will contain functionality to obtain data owner approval prior to granting system access. As an interim measure, SAS is examining the feasibility of producing monthly reports and having data owners review and approve users after the fact. SAS is also researching other data owner approval options. The division has submitted a corrective action plan with a target completion of June 30, 2008.

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Enterprise-Wide User Access Control (08/05/05) (continued)	Innovation Services	6.1 Security Administration Services should coordinate with the business owners to establish a more systematic approach for effective monitoring of user account activity. Also, persons who set up access on systems should not have the responsibility of monitoring access on the same systems.	IN PROGRESS. Security Administration Services is working with Technology Services and Support Division to implement a plan to monitor user activity of selected systems to identify inactive accounts. The division has submitted a corrective action plan with a target completion of July 2008.
Review of Internal Controls SAM 20060 Financial Integrity and State Manager's Accountability (9/30/05)	Information Security Office

Innovation Services | 1.1 Information Security Office should complete its development of a comprehensive risk analysis program promptly.

1.2 We reviewed the Enterprise Project Management Framework and were unable to identify explicit guidelines that require systems to undergo the certification and accreditation process. Innovation Services should incorporate into the system development process explicit guidelines for security certification and processing controls considerations. | IN PROGRESS. Information Security Office will develop a comprehensive risk analysis program. Target completion date is December 31, 2009.

IN PROGRESS. The Certification and Accreditation process is being developed by a workgroup led by Security Administration and is scheduled to be completed by June 30, 2008. The process will include explicit guidelines within the Enterprise Project Management Framework that require systems to undergo certification and accreditation to ensure adequate controls are implemented. |
| PeopleSoft Review (10/26/05) | Innovation Services | 3.3 We found inadequate segregation of security functions. Fiscal Services should request Security Administration Services to monitor users' activity logs. | IN PROGRESS. Security Administration has developed reports and processes to monitor administrator access and is working with Fiscal Services management to implement the process. The division has submitted a corrective action plan with a target completion date of June 30, 2008. |

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Data Center Move (04/26/06)	Technology Services and Support	1. Selected computer equipment did not have CalPERS asset tags. Technology Services and Support should place asset tags on all equipment belonging to CalPERS.	IN PROGRESS. A complete inventory of all Data Center equipment has been completed and the task to reconcile the missing asset tags is under way. The division expects to meet the corrective action plan target completion date of July 1, 2008.
	Innovation Services	6.3 Innovation Services should compare scan results to the baseline inventory, follow up on variances and re-evaluate the effectiveness and efficiency of the scanning software.	COMPLETE. Security Administration Services has a process in place to identify a baseline of valid IP addresses on CalPERS network, and for ensuring that only valid IP addresses are on CalPERS' network periodically. However, the accuracy and validity of the baseline information, and subsequent information, is tied to the accuracy and validity of DataCom's IP Address list. The DataCom IP Address list was reviewed in conjunction with the follow-up on audit finding 6.2 of the Data Center Move, which was assessed to be complete.
Review of Member Election (07/12/06)	Member Services	1. Member Services management has not defined requirements to process elections within a specified timeframe. We recommend management define a benchmark for timely processing of transactions.	IN PROGRESS. Member Services has implemented an appropriate benchmark of 90 percent processed within 30 days and a tracking mechanism to ensure timely processing of member elections/transactions and plans to document the process in its procedures manual.
UNIX Operating System Security Review (7/31/06)	Security Administration	1.2 Security Administration should enhance its monitoring of system services running on the Unix servers to ensure that system services that should be removed are removed.	COMPLETE. Security Administration Services has begun a monthly process in which services running on UNIX servers are reviewed for appropriateness and ensures that services running on UNIX servers that should be removed are removed. Security Administration Services' written procedures are documented.

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UNIX Operating System Security Review (7/31/06) *(continued)*	Information Security Office	1.3 CalPERS requires system services be limited to only those required for proper functioning of Unix servers. Information Security Office should periodically examine Unix servers to measure compliance with the security practice.	IN PROGRESS. Information Security Office will monitor Information Technology Services compliance with the Unix Server Security Practice.
	Unix/Linux Services	3. Unix/Linux Services copies the event log files and rotates them to a central server only accessible by administrators with privileged access; however, the log files are stored on rewritable media. Unix/Linux Services should ensure that the log messages cannot be modified by anyone gaining or having privileged access.	IN PROGRESS. Unix/Linux Services is exploring alternatives to address the risk of modification or deletion of event log files. Target date to provide a recommendation is the fourth quarter of FY 07-08.
	Information Security Office	8.1 Current shared ID security practice requires periodic examinations to ensure compliance with shared user ID's practice, but does not define who is responsible. Information Security should clarify the monitoring roles and responsibilities.	IN PROGRESS. The Information Security Office will clarify the definitions and requirements associated with the monitoring function to ensure compliance with the shared identification practice.
	Unix/Linux Services	8.3 Unix/Linux has not been forwarding a complete listing of established trust relationships to the Information Security Office. We recommend it forward a complete listing to Information Security quarterly for review.	COMPLETE. Unix/Linux Services is now forwarding a listing of trust relationships to the Information Security Office quarterly for review.
	Information Security Office	8.4 Unix system administrators do not implement and do not have sole control over the establishment of trust relationships. The Information Security Office should assess the security risks with the established trust relationships, consider needs for additional security measures, and modify security requirements if necessary.	IN PROGRESS. The Information Security Office will implement a departmental security assessment methodology that will be used to assess the appropriateness of current security profile.

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UNIX Operating System Security Review (7/31/06) *(continued)*	Security Administration	8.6 The current access request process does not ensure that the owners approve all requests for access. Security Administration should modify the process to ensure that all requests are routed to the appropriate persons for approval.	IN PROGRESS. Security Administration Services is working with Information Security to develop a plan for data owner approval of Information Technology Services' support staff access. Information Security is working with the data owners to have them formally delegate system support access approval to Information Technology Services management. Information Technology Services management will then authorize and control staff access for system support. The division has submitted a corrective action plan with a target completion of June 30, 2008.
Review of the Blue Card Program (8/14/06)	Self Funded	2.1 We noted an increase in the number of primary subscribers who reside in out-of-state services plans and are paid on a consortium fee basis. We recommend Self Funded develop a process to routinely compare the fees for out-of-state subscribers to determine the reasonableness.	COMPLETE. The 2008-2010 Blue Cross contract has been signed and has been changed so that Blue Card fees are now incorporated with the monthly administrative fees charged to CalPERS and are no longer a separate fee.
		2.2 There may have been a possible duplicate payment for one of the consortium fee plans. We recommend Self Funded review the invoice and supporting reports more closely and work with Blue Cross on the billing discrepancies identified.	COMPLETE. The 2008-2010 Blue Cross contract has been signed and has been changed so that Blue Card fees are now incorporated with the monthly administrative fees charged to CalPERS and are no longer a separate fee.
		3. On the Home Fees Report instances of insufficient information was found. We recommend Self Funded review the invoice and supporting reports more closely and work with Blue Cross to request more complete information on supporting reports provided.	COMPLETE. The 2008-2010 Blue Cross contract has been signed and has been changed so that Blue Card fees are now incorporated with the monthly administrative fees charged to CalPERS and are no longer a separate fee.

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Review of the Blue Card Program (8/14/06) *(continued)*	Self Funded	4. Self Funded approved a retroactive invoice that was paid in full; however, we believe the payment amount is incorrect. We recommend it review future invoices more closely and work with Legal Office to determine if recovery options should be pursued.	COMPLETE. The Self Funded Unit, working with Blue Cross, determined the fees were appropriate given the contractual language. The Self Funded Unit agrees that the retroactive fees were properly collected and see no issues.
Alternative Investment Management External Partner Review – 2006 (8/31/06)	Investment Office	5. We recommend that all future contracts between alternative investment managers and CalPERS contain language requiring a disaster recovery/business continuity plan of the General Partner, as we previously recommended for all contracts with investment managers in our "Review of the External Service Provider Disaster Recovery Environment" in June 2003.	COMPLETE. This issue was revisited and resolved in a subsequent Alternative Investment Manager audit issued in August 2007. The Investment Office is working with Operations Support Services Division and Legal to develop appropriate contract and agreement language to address disaster recovery capabilities.
Review of Retroactive Health Benefit Terminations (4/16/07)	Employer and Member Health Services	1.1 Employer and Member Health Services should update the State Active Employers Health Benefits Procedure Manual to contain information regarding regulations to limit reimbursements.	CONCUR. The manual will be updated to contain information regarding regulations to limit reimbursements.
		1.2 Employer and Member Health Services should update the COMET Transaction Guide to contain information regarding retroactive transactions, error correction, and rebuilds.	CONCUR. Staff is in the process of updating the COMET Transaction Guide.
		1.3 Employer and Member Health Services should complete and implement the Retroactive Mandatory Deletions and Cancellations for Retirees Procedures.	CONCUR. The procedures have been finalized and are going through the sign-off process.

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Review of Retroactive Health Benefit Terminations (4/16/07) *(continued)*	Employer and Member Health Services	2.1 Employer and Member Health Services should develop an active review and monitoring program to ensure that retroactive terminations, and any resulting reimbursements, are conducted accurately and in accordance with program regulations. Such a program should include identification and analysis of causes, correction, and implementation of corrective action as needed and appropriate. The monitoring program should include all segments of the population.	CONCUR. Employer and Member Health Services staff will work with Audit Services to determine the feasibility of implementing this recommendation and/or developing a plan to appropriately mitigate risk in this area.
		2.2 Employer and Member Health Services should work with the Office of Health Policy and Program Support to ensure COMET correctly limits reimbursements in accordance with program regulations.	CONCUR. Employer and Member Health Services staff will work with Health Policy and Program Support staff to ensure COMET correctly limits reimbursements in accordance with program regulations.
		2.3 Employer and Member Health Services should provide additional training to staff charged with processing retroactive terminations and associated reimbursements.	CONCUR. Staff training will begin after management has signed off on retroactive procedures.
		2.4 Employer and Member Health Services should complete and implement the Retroactive Mandatory Deletions and Cancellations for Retirees Procedures.	CONCUR. The procedures have been finalized and are going through the sign-off process.
		2.5 Pending reimbursements being held due to the Medicare overpayment component should be promptly cleared.	CONCUR. Upon completion of Employer and Member Health Services staff training, Medicare Accounts Receivables will be addressed.
		2.6 Employer and Member Health Services should provide additional training to staff charged with processing retroactive terminations and associated reimbursements	CONCUR. Upon completion of Employer and Member Health Services staff training, Medicare Accounts Receivables will be addressed.

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Review of Refunds of Member Contributions (5/31/07)	Benefit Services Division	1.1 Benefit Services Division should ensure a separation of duties exists over the 1099R process. Benefit Services Division should also document accountability of who resolved error reports and approved cancellations, and continue to secure signature stamps.	CONCUR. Benefit Services Division will implement the recommendation to ensure that a separation of duties exists by training another technician on the 1099R process to validate system inputs. Management reminded staff of the existing procedures requiring staff to initial the resolved errors and consistently document the approved cancellations.
		1.2 Benefit Services Division should obtain validation that the contractor's number of Form 1099R's mailed to individuals on CalPERS behalf reconciles to the number on Benefit Service Division's internal reports.	CONCUR. Benefit Services Division will be meeting with Automation Support to discuss the feasibility of implementing this recommendation.
		2.1 Benefit Services Division should reconsider parameters used or modify the definition of how refunds will be measured and reported to the Board.	CONCUR. The Board approved Performance Management Project currently underway will examine and recommend the performance measures of the entire Member and Benefit Services Branch, including the refunds measure within the next fiscal year.